IN THE

Supreme Court of the United States

OCTOBER TERM, 1960

No. 219

CARL SCHNELL, and THE GRIFFITH LABORATORIES, INC.,

Petitioners,

vs.

PETER EckRICH & SONS, INC., and THE ALL-BRIGHT NELL COMPANY,

Respondents.

BRIEF OF PETITIONERS

CHARLES J. MERRIAM,
NORMAN M. SHAUGER,
30 West Monroe Street,
Chicago 3, Illinois,
Counsel for Petitioners.

THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

INDEX.

CITATIONS.

Cases.

Statutes.

Miscellaneous Citations.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 219.

CARL SCHNELL, AND THE GRIFFITH LABORATORIES, INC.,

Petitioners,

vs.

PETER ECKRICH & SONS, INC., AND THE ALLBRIGHT-NELL COMPANY,

Respondents.

BRIEF OF PETITIONERS.

OPINIONS BELOW.

The District Court gave no opinion. Its findings of fact and conclusion of law in each case (C. A. 1128, Appeal 12902: R. 6-9; C. A. 1184, Appeal 12901: R. 1-4) will be found at R. 1-4 and 6-9.

The opinions of the U. S. Court of Appeals for the Seventh Circuit of June 20, 1960, are reported at 279 F. 2d 594, and are printed at pages 1-A to 10-A of the Appendix to the Petition for Certiorari and at R. 11-19.

JURISDICTION.

The judgments of the United States Court of Appeals for the Seventh Circuit were made and entered on June 20, 1960 (C. A. 1128, Appeal 12902: R. 21; C. A. 1184, Appeal 12901: R. 20).

The jurisdiction of this Court was invoked under 28 U. S. C., Section 1254(1). Certiorari was granted on October 10, 1960, and is printed at R. 22 and reported at ..... U. S. ....., ... L. Ed. 2d .....

QUESTION PRESENTED.

Did The Allbright-Nell Company enter a general appearance in each of consolidated cases C. A. 1128 and C. A. 1184 (consolidated Appeals 12902 and 12901, respectively) by openly defending on behalf of Peter Eckrich & Sons, Inc. (and in its own interest) and controlling the defense, *after* it had been named as a party in each of these suits?

STATEMENT OF THE CASE.

The instant appeal (No. 219) involves a review of consolidated Appeals 12901 and 12902 from the Court of Appeals for the Seventh Circuit.

The appeals to the Court of Appeals were taken in two actions brought in the District Court for the Northern District of Indiana by The Griffith Laboratories, Inc. and Carl Schnell against defendants, Peter Eckrich & Sons, Inc., an Indiana corporation, and The Allbright-Nell Company, an Illinois corporation, for infringement of certain patents. Federal jurisdiction was based on 28 U. S. C., Section 1338(a). The first case filed (C. A. 1128, Appeal 12902) involved Patents 2,840,318 and 2,842,177, and was originally brought on February 13, 1959, only against the Eckrich concern, but The Allbright-Nell Company was joined by an

amended complaint on April 30, 1959. The second suit (C. A. 1184, Appeal 12901) was brought on Patent 2,906,310, and was filed on September 30, 1959, immediately after the issuance of that patent. Both defendants were named in this complaint. In each case it is asserted that the defendants conspired to infringe the patents.

It is conceded for the purposes of this record that The Allbright-Nell Company does not have a place of business in the State of Indiana. The Allbright-Nell Company acknowledged that it had a contract with Eckrich to indemnify it and to take over the defense and control of the cases, and that it was, in fact, so doing (*e.g.*, C. A. 1128, Appeal 12902: R. 6, 7: C. A. 1184, Appeal 12901: R. 2). In each case The Allbright-Nell Company was served in Illinois, but no claim to jurisdiction is based upon that service, as such. The sole basis asserted for jurisdiction over The Allbright-Nell Company is that it, by controlling the defense, was in fact presenting itself before the Court to protect its own interests as well as those of Eckrich, and that such action, *after* being named as a party in the suits, constituted a general appearance.

The foregoing facts are well set forth in the findings of fact of the District Court (C. A. 1128, Appeal 12902: R. 6-8; C. A. 1184, Appeal 12901: R. 1-3), as to which there is no dispute.

The District Court granted the motion of Allbright-Nell, filed in each case, to quash a summons served on it in Illinois and to dismiss it from the action on the ground that it was not subject to suit in the Northern District of Indiana. The Court of Appeals granted petitions of Plaintiffs-Petitioners to appeal pursuant to 28 U. S. C. 1292(b), the District Court having properly certified in each case.

Since a common issue was involved in both appeals and the appropriate facts relating thereto are the same, on March 9, 1960, the Court of Appeals granted Petitioners'

motion to consolidate Appeal No. 12901 and Appeal No. 12902.

An appeal hearing was held on May 6, 1960. On June 20, 1960, the Court of Appeals rendered its opinion (279 F. 2d 594) in which it affirmed the District Court rulings (R. 11-15), with Judge Platt dissenting (R. 15-19). Judgments were rendered the same day (Appeal 12901: R. 20; Appeal 12902: R. 21).

Plaintiffs filed a Petition for a Writ of Certiorari with this Court on July 7, 1960, requesting a review of the judgments of the U. S. Court of Appeals for the Seventh Circuit, which Petition was granted on October 10, 1960 (R. 22, ... U. S. ....., ... L. Ed. 2d .....).

ARGUMENT.

Since the lower courts are divided, the question before this Court is essentially one of determining which of two positions is the most consistent with justice to all parties.

Plaintiffs-Petitioners contend that when a named party cannot properly be served, but is actually present in Court openly controlling the defense of the lawsuit for a party who has been served; is using the processes of the Court for his own benefit; and will confessedly be bound by the decision of the Court, such party should not be treated as if he were not there when it comes to applying the processes of the Court on behalf of plaintiff.

Allbright-Nell contends that so long as it does not sign a piece of paper called an "appearance," it can take full advantage of the judicial processes of the District Court; can run the litigation for defendant Eckrich and for its own benefit; but can be utterly immune to the processes of the Court of which it is taking advantage.

This position is not just. It puts form before substance. It makes it possible for Allbright-Nell to start further litigation against Petitioners in another state, involving some of the same subject matter involved in the Indiana litigation, and to put Petitioners to double expense, and to place two judges in a competition for a first trial.

Allbright-Nell says that if its position is not recognized, it will be put to two serious disadvantages, namely, that an accounting can be had in a state remote from its residence and, secondly, that while it is now in the control of the case, that control might be taken from it.

Each of these objections is trivial.

As far as the out-of-state accounting is concerned, Allbright-Nell has not hesitated to come into Indiana on the much more complex merits of the case. If the accounting should turn out to be a lengthy proceeding, the District Court may readily appoint a master who can hear proceedings in the best location.

The chance that its control might be cancelled is the same chance that any defendant takes who intervenes in a case. Being a party, it would still control its own part of the case. The District Court, if there were any injustice resulting in such a situation, could undoubtedly take care of it by protective orders or, in a proper case, by transfer of that part of the case to a more convenient state.

On the other hand, the purpose of the Federal Rules of Civil Procedure is to reduce litigation, not to extend it. Not only does Allbright-Nell's position multiply litigation, but even in the event that no other litigation be required, it would remove from a plaintiff the benefit of the discovery provisions of the Federal Rules of Civil Procedure.

Rule 24, 28 U. S. C. A., gives a person in the position of Allbright-Nell the right to intervene, at least by permission of the Court.

Rule 17, 28 U. S. C. A., requires that action be prosecuted in the name of the real party in interest. In the present case Allbright-Nell filed a counterclaim in the name of Peter Eckrich & Sons, Inc., in which the real party in interest was Allbright-Nell Company, and it sought relief in that counterclaim which could only go to the benefit of Allbright-Nell Company, since it requested costs and attorneys' fees which are being paid by Allbright-Nell. Such a procedure is clearly an imposition on the court and on the plaintiffs.

In *Dicks Press Guard Mfg. Co.* v. *Bowen*, 229 Fed. 193. (D. C. N. Y.—1916), the Court said at page 196:

> "It would seem plain that the court ought to know what parties, either complainant or defendant, are before it and entitled to be heard, and that the record itself should show this. One of the most vicious things connected with a litigation, either civil or criminal, is the operation of influences from and the recognition of interested persons not appearing as parties on the record. Those who are to be heard at all and recognized in bringing out and considering the merits of a controversy should be parties of record. * * *"

It is hornbook law that a court judges the actions of a party by what he does and not by what he says. This is particularly true under modern practice where the former "hide-and-seek" tactics of parties are supposed to be eliminated. See *Doherty Research* v. *Universal Oil Products*, 107 F. 2d 548 at 549 (C. A. 7—1939).

It is clear that venue may be waived by formal submission in a cause or by submission through conduct. *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165, 168, 60 S. Ct. 153, 155, 84 L. Ed. 167 (1939); *General Electric Co.* v. *Marvel Rare Metals Co.*, 287 U. S. 430, 77 L. Ed. 408 (1932); *Gulf Smokeless Coal Co., et al.* v. *Sutton, Steele & Steele, et al.*, 35 F. 2d 433 (C. A. 4—1929).

The Prior Authorities.

The prior authorities are divided.

In *Ocean Accident & Guarantee Corp.* v. *Felgemaker*, 143 F. 2d 950 (C. A. 6—1944), the plaintiffs filed a motion to subject the nonresident insurance company to the jurisdiction of the court pursuant to Rule 4 of the Federal Rules of Civil Procedure, 28 U. S. C. A., and then served summons in Illinois, just as was done in the present actions. The summons was quashed but the Court held that it had jurisdiction of Inter-Insurance Company because

of its control of the case and the court entered judgment against it.

In each of *Esquire, Inc.* v. *Varga Enterprises*, 81 F. Supp. 306, 307, aff'd 185 F. 2d 14 (C. A. 7—1950), and *University of Illinois Foundation* v. *Block Drug Co.*, 133 F. Supp. 580, 581, 583, aff'd 241 F. 2d 6 (C. A. 7—1957), the nonresident defendant was conducting the defense and was found to be before the Court on that account. Both of these cases were appealed, but in neither case was the point raised upon appeal.

In *Eagle Manuf'g. Co.* v. *Miller*, 41 Fed. 351, 357, 358 (C. C. S. D. Iowa E. D.—1890), reversed on other ground at 151 U. S. 186, it does not appear at what stage the complaint was amended to include the nonresident defendant that controlled the defense, but since the decision states that said defendant never answered the bill, it would appear that it was early in the proceedings. In this decision, it was set forth in the decree that the nonresident defendant was bound by the results.

In *Redman* v. *Stedman Manufacturing Company*, 181 F. Supp. 5 (D. C. N. C.—1960), the nonresident company was Tubular Textile Machinery Corporation. It openly assumed the defense but was not served with process and was not named as a party. The judgment, however, restrained that corporation, as a privy, because of its control of the case. The Court found this is to be proper, after a careful review of all of the authorities.

The case of *The Dow Chemical Company* v. *Metlon Corporation, et al.*, 281 F. 2d 292, 297 (C. A. 4—1960) was reported after the granting of the Petition for Certiorari in the instant case. In that case, relying upon the dictum of *Gulf Smokeless Coal Co.* v. *Sutton, Steele & Steele*, 35 F. 2d 433 (C. A. 4—1929), the Court held that a nonresident party defending on behalf of a resident defendant

did not thereby enter a general appearance. The Court did not refer to the present case, the *Ocean Accident* case, the *Esquire* case, the *University of Illinois Foundation* case, or even the *Redman* decision from its own district court. There was no reference in the briefs of the plaintiff-appellant, in that case, to any of these decisions.

The *Redman* decision did refer to *Gulf Smokeless Coal Co.* v. *Sutton, Steele & Steele*, 35 F. 2d 433 (C. A. 4—1929); and the Court pointed out correctly that venue was a matter of privilege which could be waived, and held that under the doctrine of the *Ocean Accident* case (143 F. 2d 950) that it had been waived by assuming the defense of the case.

In *Freeman-Sweet Co.* v. *Luminous Unit Co.*, 264 Fed. 107 (C. A. 7—1920), the nonresident defendant was named as a party only at the final hearing, and it was held improper for this to be done even though it was controlling the defense of the lawsuit.

The decisions which permit inclusion of the nonresident defender as a defendant, even though not named as a party, go beyond what is requested by Petitioners here, or what is necessary to a reversal here, since they involve the problem of lack of identity (with resulting possible collateral attack). Without having the defender named as a party, there may be a gap in proving that he was present, as indicated by Judge Learned Hand in *Minneapolis-Honeywell Regulator Co.* v. *Thermoco, Inc.*, 116 F. 2d 845 (C. A. 2—1941).

It is, of course, quite customary and proper for an injunction to be directed toward the defendant and those in privity with defendant. If, in fact, the nonresident defender was controlling the case, then it would seem that he was in privity with the named defendant and would be subject to the injunction, although normally it would be

necessary to make proof of this in an appropriate proceeding naming him.

In the present case, as in the *Ocean Accident* and *Eagle* cases, the nonresident-named defendant was actually served with process in each of the actions so that his special appearance is in each case, and there is no question of identity or of collateral attack.

G. & C. Merriam Co. v. *Saalfield, et al.*, 241 U. S. 22, 60 L. Ed. 868, 36 S. Ct. 477 (1916), upon which our opponents have relied, is not in point. The Seventh Circuit Court of Appeals did not even consider that decision worth mentioning despite the fact that it was presented and argued at length before that Court. The *Merriam* case was, likewise, disposed of at page 13 of the *Redman* decision, cited *supra*. The *Merriam* case merely decided when a *res judicata* became effective.

CONCLUSION.

Petitioners' position puts Allbright-Nell exactly where a forthright defendant would have been put upon intervention. We see no reason why justice would be promoted by giving greater protection to a manufacturer who chooses to act as a puppeteer instead of intervening, than would be given to the forthright intervenor. Such a manufacturer seeks all of the benefits, while avoiding all of the responsibilities except an ultimate *res judicata*.

Allbright-Nell, by its conduct as a named party, is actually present in Court acting in its own interests and on its own behalf. It should be held to have waived any objection to venue and to have submitted itself to the jurisdiction of the Court.

Therefore, it is submitted that the decision of the Court of Appeals for the Seventh Circuit be reversed.

Respectfully submitted,

CHARLES J. MERRIAM,
NORMAN M. SHAPIRO,
Attorneys for Petitioners.

Of Counsel:

MERRIAM, SMITH & MARSHALL,
30 West Monroe Street,
Chicago 3, Illinois.

EUGENE C. KNOBLOCK,
711 J. M. S. Building,
South Bend 1, Indiana.